

ECS2000: A New Business Ethics Standard

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I. ECS2000

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- 2) History
- 3) Characteristics

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Making a Common International Business Ethics Standard

I. What is the ECS2000?

1) A Management System Standard

Business Ethics:

Organizational activities for running business
in a fair and efficient way.

- Stipulate its own ethical norms, rules, procedures, etc.

- Establish ethics-compliance management systems, so as to get organizational members to abide by those ethical norms

ECS2000 shows how to establish ethics-compliance management systems

2) History of ECS2000

In April 1998,

Kansai Economic Federation's Project

- Just making codes of conduct is not enough
- Need to build effective ethics-compliance management systems

In October 1998,

Business Ethics Research Project

In May, 1999,

ECS2000 became available

- Ethics-Compliance (Management System) Standard 2000

Name ECS2000 after the three capital letters

Hope this standard becomes a core for business ethics in the new millennium.

3) Characteristics of the ECS2000

(a) Three Ways to Use

1. As a guide
2. As a checklist
3. As a means for the self-assessment

(b) The framework of ECS2000

(1) PLAN Phase

Form ethics policy, code of conduct, and other internal regulations
Make implementation plans to pursue ethical objectives

(2) DO Phase

Establish ethics-compliance offices
Determine persons in charge
Training
Communication
Document control
Operational control

(3) CHECK Phase

Undertake independent internal audits
Report the results of the audits to the top management, and the relevant offices

(4) ACT Phase

Identify potential risks (Negative)
Find new meaningful ethical challenges (Positive)

Write down corrective or challenging actions into implementation plans
PDCA and Continuous Improvement

II. Six Major Reasons: Why was the ECS2000 Created?

1) Fairness

If organizations do not have any self-control mechanisms, their outer systems such as markets and societies might get serious damages, or sometimes might break down.

“Free, Fair, and Global.”

Japanese financial institutions could not control themselves and created a huge amount of bad loans, which brought a number of financial institutions into bankruptcy.

2) Implicit Pressure

In 1998, Kansai Economic Federation

797 responses (The response rate: about 25%)

Implicit Pressures

which might encourage employees/managers to get involved in unethical behavior

Especially working on rank-and-files

3) Seniors' Will

Seniors are likely to think that

the younger people tend to commit to wrongdoing, against the seniors' will.

Rank-and-files have different understanding.

If the seniors really think that younger people's commitment to wrongdoing is against their will.

They have to clearly show that unethical and unfair conduct is never acceptable for their organizations.

4) Organizational Culture

A majority of organizational members agree on the necessity of changing corporate culture.

Two Meanings:

- (a) Problems are broad, deep, and structural.
- (b) Specific Issues cannot be identified.

Organizations might be destined to repeat similar kinds of corporate scandals.

We have to stop this once and for all, by cutting this vicious cycle.

Concrete measures to solve cultural problems of organizations should be clarified.

5) Poor Social Support

Societies/markets

not support ethical corporations

not punish or hurt unethical organizations

Strong correlation between

Ethical Behavior (Fair Behavior, and Conscientious Behavior)
and Social Support

The stronger people believe that societies will not support ethical corporations, the more likely they get involved in unethical conduct.

A logical conclusion is to create more ethics-sensitive societies/markets.

6) Poor Ethics Disclosure

Without knowing which organizations are taking ethics seriously and
how much seriously they are practicing ethics

Any societies/markets cannot support ethical organizations.

In order to create ethics-sensitive societies/markets, we have to improve Ethics Disclosure.

(a) First, information should be disclosed, that tells which organizations are practicing ethics.

(b) Second, that information should be explained in terms of a commonly applicable and trustworthy standard.

Without such a standard, we cannot think that the information disclosed by organizations is based upon the facts.

III. Ethical Challenges

The six major reasons are not just Japanese issues, but every organization's issues.

Any organization all over the world is likely to have similar structural problems.

In order to make the global market develop in a sustainable way, we need to devise some measures to ensure fair and ethical conduct of business organizations.

Discuss possibility and necessity of forming an international version of ECS2000.

Sooner or later, the global market will come to that stage as an inevitable course of history.